

CASHMERE SCHOOL DISTRICT No. 222
Chelan County, Washington
September 1, 1993 Through August 31, 1995

Schedule Of Findings

1. Payroll Charges To Federal Programs Should Comply With Federal Regulations

Payroll expenditures for fiscal year 1995 Department of Education ESSIA Chapter 1 Program (CFDA 84.010) did not comply with federal regulations. The district processed charges to the program through the school district's payroll system using predetermined rates. Over the course of the school year, district employees prepare records documenting the actual employee hours used for the Chapter 1 program, however, the district failed to adjust the predetermined rates to actual as the actual rates became known.

The U.S. Office of Management and Budget (OMB) Circular A-87, *Cost Principles Applicable to Grants and Contracts*, establishes standards for documentation and allowability of costs charged to federal grant programs. Among these standards are:

- a. Amounts charged to grant programs for personal services will be based on payrolls supported by time and attendance or equivalent records for individual employees.
- b. Salaries and wages of employees chargeable to more than one grant program or other cost objective must be supported by appropriate time distribution records.

In the absence of a reliable system that meets the federal requirements, payroll costs could be charged to federal programs which varies from resources that were actually dedicated to that program.

We recommend the district implement a time reporting system that incorporates and adjusts predetermined hours to the actual employee hours charged to each of the district's federal programs in compliance with OMB Circular A-87.